

Message Text

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15

ACTION EA-09

INFO OCT-01 AF-06 ARA-06 EUR-12 ISO-00 CIAE-00 DODE-00

PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-03

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01

INT-05 IO-10 STR-04 CEA-01 GSA-01 TAR-01 /129 W

----- 081229

R 180632Z DEC 75

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 2030

INFO AMEMBASSY BANGKOK

AMEMBASSY BRASILIA

AMEMBASSY CANBERRA

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY KINSHASA

AMEMBASSY LA PAZ

AMEMBASSY LAGOS

AMEMBASSY LONDON

AUSLO PEKING 112

AMEMBASSY RANGOON

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

C O N F I D E N T I A L KUALA LUMPUR 7359

E.O. 11652: GDS

TAGS: ETRD, EMIN, ITC, CH, MY

SUBJ: MALAYSIA TAKES PRC TO TASK ON TIN EXPORTS; QUESTIONS PRC
CREDIBILITY RE THIRD WORLD

REF: HONG KONG 14745

SUMMARY: BEGIN LIMITED OFFICIAL USE. ON DECEMBER 15, PRIMARY
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INDUSTRIES MINISTER MUSA HITAM, COMMENTING ON ITC 20TH SESSION

COMMUNIQUE, ISSUED STATEMENT WHICH CALLS ON PRC TO CURB TIN EXPORTS DURING PERIOD OF ITC EXPORT CONTROLS AND AS LONG-TERM MEASURE TO JOIN FIFTH ITA. "NST" EDITORIAL PURSUES THEME ON DECEMBER 17 NOTING THAT INVOLVEMENT OF CONSUMER NATIONS NEEDED TO SOLVE PROBLEM AND CALLING ON PRC TO PROVE CREDIBILITY OF ITS POSITION RE THIRD WORLD. U.S., WHEN MEMBER OF ITA, CAN EXPECT PRESSURE FROM PRODUCERS FOR U.S. TO TAKE POSITION ON PRC TIN EXPORTS OUTSIDE ITA. END LIMITED OFFICIAL USE.

1. BEGIN UNCLASSIFIED. TEXT OF MINISTER MUSA HITAM'S STATEMENT: I WOULD LIKE TO STRESS THE SERIOUSNESS OF THE SITUATION FACED BY THE INTERNATIONAL TIN COUNCIL OVER THE CONTINUED DEPRESSED WORLD MARKET FOR TIN. THE REPORT OF THE ITC STATISTICAL COMMITTEE AT THE END OF SEPTEMBER OF THIS YEAR INDICATES THAT FOR 1975 THERE WILL BE A SURPLUS OF TIN OVER REQUIREMENTS AFTER ALLOWING FOR THE EXPORTS FROM THE PEOPLE'S REPUBLIC OF CHINA. THE ADVENT OF LARGER EXPORTS FROM CHINA HAS BEEN A SIGNIFICANT FACTOR CONTRIBUTING TO THE DEPRESSED TIN MARKET.

ALTHOUGH CONSUMPTION OF TIN METAL FOR THE YEARS 1972 TO 1974 WAS GENERALLY HIGHER THAN PRODUCTION, THE SITUATION HAS REVERSED IN 1975. THE ESTIMATED SURPLUS THIS YEAR IS ABOUT 900 TONS EVEN AFTER TAKING INTO CONSIDERATION EXPORT CONTROLS NOW IN FORCE. THIS SITUATION REFLECTS LARGELY THE GENERAL INCREASE IN WORLD TIN STOCKS VIS-A-VIS THE DEPRESSED DEMAND FOR TIN DUE TO THE WORLD RECESSION. I AM PARTICULARLY CONCERNED OVER THE ROLE OF CHINA HERE. CURRENTLY AN ESTIMATED 15,000 TONS OF TIN METAL EXPORTS FROM CHINA, THE 6,320 TONS OF TIN METAL OVERHANGING IN THE LONDON METAL EXCHANGE, BIG BUFFER STOCK HOLDINGS AND THE BUILD UP OF STOCKS IN PRODUCING COUNTRIES ARE FACTORS WHICH CONFRONT THE ITC IN ITS EFFORT TO STABILIZE THE TIN PRICE.

THE PEOPLE'S REPUBLIC OF CHINA BEING A NON-MEMBER OF THE ITC IS NOT BOUND BY THE EXPORT CONTROL IMPOSED ON PRODUCER MEMBERS SINCE APRIL THIS YEAR. MALAYSIA BEING THE BIGGEST PRODUCER OF TIN AND A MEMBER OF THE ITC SINCERELY HOPES THAT THE PEOPLE'S REPUBLIC OF CHINA WILL RESPOND POSITIVELY TO THE CONSULTATION PROPOSED BY THE ITC WITH A VIEW TO SEEKING CHINA'S COOPERATION IN THE DISPOSAL OF HER TIN TO THE WORLD MARKET AT A TIME WHEN PRODUCER MEMBERS ARE FACING EXPORT CONTROLS.

IN VIEW OF CHINA'S INTEREST IN THE GENERAL WELFARE AND WELL-BEING OF FELLOW THIRD WORLD COUNTRIES AND HAVING REGARD TO CONFIDENTIAL

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THE FACT THAT SOUTH EAST ASIA FROM WHERE MORE THAN 60 PERCENT OF THE WORLD TIN EMANATE AND THAT THOSE COUNTRIES IN SOUTH EAST ASIA INCLUDING MALAYSIA DEPEND VERY MUCH FOR THEIR EXPORT EARNINGS FROM TIN (FOR MALAYSIA IT WAS \$1,514.9 MILLION OR 14.9 PERCENT OF TOTAL EXPORT EARNINGS IN 1974), I WOULD LIKE TO CALL UPON THE PEOPLE'S REPUBLIC OF CHINA TO CONSIDER MOST SERIOUSLY AS AN IMMEDIATE MEASURE TO CURB HER EXPORT OF TIN TO HELP STABILIZE PRICE AND AS A LONG-TERM MEASURE TO JOIN THE FIFTH INTERNATIONAL

TIN AGREEMENT WHICH WILL BE OPEN FOR SIGNATURE UNTIL 30TH APRIL, 1976. END TEXT.

2. BEGIN UNCLASSIFIED. DECEMBER 17 EDITORIAL OF GOM INFLUENCED "NEW STRAITS TIMES" PURSUES THEME OF MINISTER'S RELEASE, TAKING PRC TO TASK FOR NOT ATTENDING FIFTH ITA NEGOTIATIONS AND NOTING ITS SILENCE RE RATIFICATION. AFTER ACKNOWLEDGING LIMITED ITC ACTION, EDITORIAL STATES THAT QUOTE UNTIL CONSUMER NATIONS RECOGNIZE THIS (PRC TIN EXPORTS) TO BE A DESTABILIZING FACTOR, MALAYSIA WILL BE VERY MUCH ALONE IN TRYING TO HOLD PEKING TO RULES OF GAME. END QUOTE. EDITORIAL THEN NOTES THAT QUOTE EXPORT CUTBACKS ARE OF LIMITED USE AS AN ACCUMULATION OF CHINA'S STOCKPILE, AGAIN AN IMPONDERABLE, IS FUTURE LIABILITY FOR SEVEN PRODUCER NATIONS. END QUOTE. QUESTIONING WHY PRC REMAINS OUTSIDE ITA, EDITORIAL SUGGESTS ONE REASON IS "IDEOLOGICAL." QUOTE THE IDEA OF PARLEYING WITH USSR AND SEVERAL WARSAW PACT ALLIES HARDLY EXCITES THE CHINESE END QUOTE; ANOTHER IS QUOTE THEIR DISPOSITION TO SECRECY CAN ALSO BE CARRIED TO EXTREMES END QUOTE; AND THIRDLY, THAT QUOTE THERE HAS BEEN SPECULATION THAT CHINA USES TRADE AND AID TO GREASE POLITICAL DEALS AS A BARGAINING BASE... OIL TO JAPAN, ARMS AND TECHNICIANS TO SEVERAL AFRICAN COUNTRIES....TIN TO FRANCE, HOLLAND, JAPAN AND U.S. END QUOTE. EDITORIAL CONCLUDED WITH REFERENCE TO CHINA'S DECLARED SYMPATHY FOR DEVELOPING WORLD, THAT CHINA QUOTE HAS SET ITSELF UP AS CHAMPION OF THIRD WORLD. IT IS UP TO CHINA TO PROVE ITS CREDIBILITY. END QUOTE. END UNCLASSIFIED.

3. BEGIN CONFIDENTIAL. COMMENT: PUBLIC APPEAL BY MINISTER MUSA HITAM TO PRC AND EDITORIAL REFLECT IMPORTANCE OF TIN TO MALAYSIAN ECONOMY. IN ADDITION, HOWEVER, GOM HAS REPEATEDLY HELD UP ITA AS EXAMPLE THAT BUFFER STOCK CONCEPT WORKS. EFFECTIVENESS OF TIN BUFFER STOCK, ALREADY UNDER STRAIN BY RECESSION AND FURTHER UNDERMINED BY PRC TIN EXPORTS, COULD DIMINISH TO POINT WHERE IT

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PERCEIVED AS INEFFECTIVE, A DEVELOPMENT WHICH WOULD CAST DOUBT ON EFFICACY OF MALAYSIA'S EFFORTS, THROUGH ANRPC, TO ESTABLISH INTERNATIONAL BUFFER STOCK FOR NATURAL RUBBER, AN ITEM OF CONSIDERABLE IMPORTANCE TO MALAYSIA, BOTH ECONOMICALLY AND POLITICALLY.

ASSUMING THAT PRC WILL NOT BE RESPONSIVE IN MEANINGFUL WAY TO ITC MISSION (REFTEL), WE EXPECT, AS SOME SOURCES HERE HAVE SUGGESTED, THAT NEXT GOM EFFORT TO HAVE PRC LIMIT TIN SALES WOULD BE THROUGH THIRD WORLD FORUM, SPECIFICALLY GROUP OF 77. SUCH DEVELOPMENT WOULD FURTHER DRAMATIZE AMBIGUITY OF PRC POSITION.

THE EDITORIAL REFERENCE TO CONSUMER COUNTRIES, OF COURSE BEARS DIRECTLY ON U.S. ACCESSION TO FIFTH ITA. SHOULD ENVIRONMENT OF SLACK DEMAND STILL PERTAIN AT SUCH TIME AS U.S. BECOMES MEMBER, WE CAN EXPECT SOME PRESSURE FROM MALAYSIA (AND OTHER

PRODUCERS) FOR U.S. (AS LARGEST CONSUMER OF PRC TIN) TO TAKE
POSITION ON QUESTION OF PRC TIN EXPORTS OUTSIDE ITA.

WHILE PRESENT CASE (REFTEL) FOR PRC NOT JOINING IS
STRONG, IN EVENT THAT PRC POSITION CHANGED (PERHAPS WITH
ESTABLISHMENT OF MORE ACCEPTABLE QUOTA BASE), WOULD PRC MEMBER-
SHIP IN ITA SET PATTERN THAT WOULD BE RELEVANT TO OPEC AS CHINA
BECOMES INCREASINGLY SIGNIFICANT EXPORTER OF PETROLEUM? END
COMMENT. END CONFIDENTIAL.
UNDERHILL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TIN, EXPORT CONTROLS, PRESS CONFERENCES
Control Number: n/a
Copy: SINGLE
Draft Date: 18 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KUALA07359
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750440-0019
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751229/aaaaayvm.tel
Line Count: 178
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 HONG KONG 14745
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUN 2003 by izenbei0>; APPROVED <06 NOV 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MALAYSIA TAKES PRC TO TASK ON TIN EXPORTS; QUESTIONS PRC CREDIBILITY RE THIRD WORLD
TAGS: ETRD, EMIN, CH, MY, ITC-1, (MUSA BIN HITAM)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006